

## Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-07 NEA-10 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 PRS-01 /122 W

----- 100534

P R 140855Z SEP 75

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC PRIORITY 3313

INFO AMEMBASSY ALGIERS

USINT BAGHDAD

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

C O N F I D E N T I A L ABU DHABI 1834

BEIRUT POUCH BAGHDAD

E.O.611652: GDS

TAGS: ENRG, TC

SUBJ: OPEC OIL PRICE DECISION

REF: STATE 217382

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SUMMARY: CHARGE SEPT. 13 CONVEYED POINTS REFTEL TO UAE MINPET OTAIBA. OTAIBA GENERALLY SYMPATHETIC, BUT STATED UAE INFLUENCE LIMITED AND SENTIMENT FOR SOME INCREASE STRONG. HE STATED--AND WE BELIEVE--UAE WILL ADVOCATE MODERATE POSITION, REFLECTING CONCERNS OF CONSUMERS. BUT IN PRACTICAL TERMS THIS LIKELY MEAN SUPPORT FOR "SMALL" INCREASE. END SUMMARY.

1. I CALLED ON MINPET AL-OTAIBA AFTER RAMADAN BREAK-FAST EVENING SEPT. 13 TO DISCUSS OPEC OIL PRICE DECISION AS PER REFTEL. I GENERALLY FOLLOWED CLOSELY POINTS IN SUBPARAS PARA 2 REFTEL. HOWEVER, IN DESCRIBING USG POLICY REVIEW IN WAKE PREPCON AND WIDE RANGE OF VIEWS THAT WERE CONSIDERED AT THAT TIME, I DID NOTE THAT OTAIBA HIMSELF APPEARED TO HAVE MADE CONTRIBUTION. SECRETARY KISSINGER'S PROPOSAL OF SEPARATE COMMISSIONS TO CONSIDER NON-ENERGY ISSUES IN PARALLEL WITH ENERGY DISCUSSION ITSELF WAS VERY MUCH WHAT MINISTER HAD ADVOCATED TO ASST. SECRETARY OF TREASURY PARSKY IN EARLY APRIL (ABU DHABI 805 NOTAL). OTAIBA LISTENED ATTENTIVELY THROUGHOUT PRESENTATION, NODDING SEVERAL TIMES IN APPARENT AGREEMENT.

2. ON CONCLUSION, I OBSERVED THAT I HAD SEEN NO PUBLIC INDICATION OF UAEG STAND ON PRICING ISSUE AND ASKED MINISTER FOR HIS VIEWS RE POSITION UAE DELEGATION (WHICH OTAIBA WILL HEAD) MIGHT TAKE IN VIENNA. OTAIBA RESPONDED BY OBSERVING THAT UAE WAS SMALL COUNTRY AND ITS ABILITY TO DIRECT OPEC'S COURSE WAS LIMITED. HE STATED UAE DEFINITELY OPPOSED TO LARGE PRICE INCREASE AND WAS GENERALLY VERY MUCH IN FAVOR OF GIVING PRODUCER/CONSUMER DIALOGUE AND OTHER EFFORTS TO WORK OUT NEW ECONOMIC ARRANGEMENTS CHANCE TO OPERATE. IN FACT, OTAIBA NOTED, HE VERY MUCH REGRETED THAT IT HAD NOT BEEN POSSIBLE RESUME PREPCON PRIOR TO OPEC MEETING. THIS WOULD HAVE GREATLY STRENGTHENED HAND OF THOSE ARGUING THAT DIALOGUE SHOULD BE GIVEN CHANCE, WITH DECISION ON PRICES BEING DEFERRED PENDING ASSESSMENT OF PROGRESS. I NOTED THAT I COULD APPRECIATE THAT POINT, BUT I FELT THAT UN SPECIAL SESSION SHOULD BE VIEWED AS HAVING SAME EFFECT--A START HAD BEEN MADE IN COOPERATIVE EFFORT TO TACKLE NOT ONLY ENERGY BUT OTHER ECONOMIC ISSUES OF INTEREST TO PRODUCER/DEVELOPING COUNTRIES. IF ANYTHING, ARGUMENTS FOR DEFERRING ON PRICE HIKES APPEARED TO ME TO BE STRENGTHENED. OTAIBA DID NOT RESPOND DIRECTLY BUT DID EXPRESS APPRECIATION FOR CONFIDENTIAL

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PSYCHOLOGICAL IMPACT WHICH PRICE INCREASE AT THIS TIME MIGHT HAVE IN U.S. HE LIKewise ACKNOWLEDGED VALIDITY OF POINT THAT ALL COUNTRIES BENEFITED FROM ECONOMIC UPSWING OF DEVELOPED COUNTRIES AND THAT THIS SHOULD NOT BE UNDERCUT. BUT HE AGAIN REITERATED UAE'S INABILITY TO HOLD BACK OTHER OPEC MEMBERS, MOST OF WHOM DESIRED PRICE RAISE. HE CITED UAE EFFORTS IN LIBREVILLE TO AVOID REFERENCE TO FUTURE PRICE INCREASES. THESE HAD BEEN APPARENTLY

SUCCESSFUL, BUT THEN, AFTER HIS DEPARTURE, EXTREMISTS--ALGERIA, IRAQ, LIBYA--HAD PUT THROUGH GENERAL ENDORSEMENT OF FUTURE INCREASES.

3. GIVEN THIS SITUATION, ALL UAE COULD DO WAS ATTEMPT TO EXERT MODERATING INFLUENCE. IN SO DOING IT SOUGHT TO KEEP ITS OWN COUNSEL, AVOIDING EARLY COMMITMENTS AND THEN SEEKING EXPRESS ITS VIEWS IN TIMELY FASHION. (IN THIS CONNECTION, OTAIBA NOTED HE HAD DELIBERATELY ABSENTED HIMSELF FROM UN SPECIAL SESSION SO AS TO AVOID INEVITABLE DISCUSSIONS OF OIL ISSUES.) UAE DELEGATION HOPED, IN SHORT, TO BE IN POSITION PLAY MEDIATING AND GENERALLY MODERATE ROT M WHILE EXPRESSING UNDERSTANDING, I NOTED THAT EVEN "SMALL" INCREASE--10-15 PERCENT BEING MENTIONED--WAS IN OUR VIEW UNJUSTIFIED AND COULD HAVE NEGATIVE CONSEQUENCES EARLIER DISCUSSED. I OBSERVED THAT SAUDIS APPEARED BE TAKING STAND AGAINST PRICE INCREASES AND THAT, AS OTAIBA WOULD EXPECT, APPROACHES SIMILAR TO MINE WERE BEING MADE IN OTHER OPEC CAPITALS. THEREFORE WE HOPED SENTIMENT MIGHT BE FOUND WITHIN OPEC--AND THAT UAE WOULD WORK FOR SAME--NOT TO COMPROMISE, BUT TO HOLD LINE, BEARING IN MIND INTERESTS AND CONCERNS OF DEVELOPED COUNTRIES AND GIVING SPIRIT OF COOPERATION CHANCE TO WORK. OTAIBA WAS CLEARLY SKEPTICAL THAT OTHER OPEC STATES WOULD BE PERSUADED TO NO-INCREASE COURSE AND HE WAS PARTICULARLY DISPARAGING OF SAUDIS POSITION. SAUDI STATEMENTS WERE FINE, BUT WHEN WAS SAG GOING TO BACK ITS WORDS BY REFUSAL TO GO ALONG WITH DECISION ALLEGEDLY OPPOSED TO ITS WISHES? WHEN WAS IT GOING TO EXERCISE POWER WHICH ALL KNEW IT HAD?

4. DISCUSSION CONCLUDED WITH OTAIBA PROMISING TO CONVEY SUBSTANCE OF OUR MEETING TO SHAIKH ZAYID AND STATING THAT IN BEING SYMPATHETIC AND UNDERSTANDING OF POINTS I HAD MADE, HE WAJ SURE HE WAS EXPRESSING RULER'S POSITION. I RESPONDED THAT CONFIDENTIAL

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I APPRECIATED THIS SUPPORT AND COULD UNDERSTAND DIFFICULTIES OF UAE'S POSITION. I HOPED, HOWEVER, THAT MINISTER AND HIS DELEGATION WOULD FIND AND CONTRIBUTE TO ATMOSPHERE IN VIENNA WHICH WOULD PERMIT RESULTS WHICH WE FELT STRONGLY TO BE IN BOTH OUR INTERESTS.

5. COMMENT: WE HAVE NO DOUBT THAT OTAIBA SPEAKS FOR UAEG AND IS GENUINE IN EXPRESSING UNDERSTANDING FOR AND GENERAL SYMPATHY WITH OUR VIEWS ON OIL PRICE INCREASE DECISION. ON OTHER HAND, WE DOUBT THAT UAE IS TOTALLY CONVINCED THAT NO RPT NO PRICE INCREASE IS JUSTIFIED. OTAIBA HAS SPOKEN BEFORE OF EROSION OF OIL REVENUES AS RESULT RISE IN COST OF IMPORTS AND WE DOUBT HE FINDS STATISTICS TO CONTRARY--EITHER OURS OR EVEN THOSE QUOTED IN OTHER SOURCES SUCH AS PIW--ENTIRELY CONVINCING. GIVEN THAT ATTITUDE, HIS HONEST AND ACCURATE ASSESSMENT OF

UAE'S LIMITED INFLUENCE WITHIN OPEC, AND THIS COUNTRY'S GENERAL INCLINATION NOT TO ROCK THE BOAT, WE CAN HARDLY EXPECT UAE BE OUT IN FRONT TRYING TO HOLD LINE ON RPICES. SHOULD GENUINE SENTIMENT FOR THAT COURSE DEVELOP--PERHAPS EVEN IT IF WAS INITIALLY MINORITY VIEW--WE WOULD EXPECT UAE TO JOIN. BUT AT THIS POINT, OTAIBA OBVIOUSLY BELIEVES THAT MINIMUM TO BE EXPECTED IS "SMALL" INCREASE. WE BELIEVE UAE WILL WORK QUIETLY TOWARD THAT END AND THAT, IN ITS VIEW GIVEN REALITIES OF SITUATION, BY SO DOING IT WILL BE TAKING INTO ACCOUNT OUR INTERESTS AND CONCERNS.

6. FOR NEA/ARP - FURTHER ACTION: OTAIBA IS LEAVING FOR LONDON AND TALKS WITH OPERATING COMPANIES ON SEPT 18 AFTER WHICH HE WILL PROCEED DIRECTLY TO VIENNA. AMBASSADOR STERNER MIGHT WISH TO SEEK MEETING IN LONDON ON HOMEWARD JOURNEY ON THIS OR OTHER POINTS WITH MINISTER.  
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## Message Attributes

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